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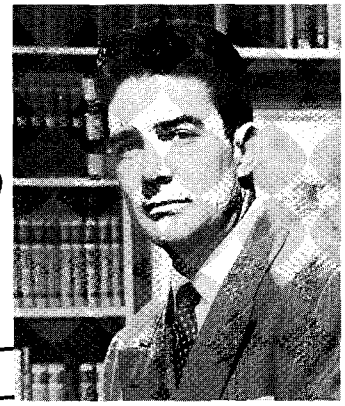

DAN SMOOT

ECONOMIC SURRENDER—PART III

The ideal of world wide "free trade" is an absurdity as long as trade and commerce in any part of the world are controlled by government. How can private individuals in one nation compete in trade with the *government* of another nation?

Consider the economic practices of the Soviet Union during the past several years. The Soviets sell critical or strategic materials on world markets at prices far below those offered by anyone else. They can do this because their people are economic slaves—and *not* because the materials are produced more abundantly, or more efficiently, in the Soviet Union than elsewhere.

For example, the people of the Soviet Union do not have enough oil for their own domestic use. Gasoline in the Soviet Union — even for the small number of automobiles in operation there — is very expensive, because of short supply. Relatively little oil is used in the Soviet Union to serve individual needs of Soviet consumers.

The Soviets do not produce enough oil for such domestic purposes. Yet the Soviet government has been "dumping" oil (selling it at prices which are below cost) on the market in various parts of the world—in order to damage the American oil industry and to make nations (which formerly imported American oil) dependent on Soviet sources of supply. Once a smaller nation, which is dependent on foreign oil, abandons its American source of supply and becomes dependent on the Soviets, the Soviets, by threatening to raise oil prices, can intimidate and partially control that nation.

The Soviets have been doing this sort of thing not only with oil but with many other vital commodities. During the past year, for example, the Soviets (whose collective farms have never produced enough to feed their own people properly) have been "dumping" wheat in nations of western Europe which formerly bought wheat from America.

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The Soviets are the worst aggressors in this kind of political-economic warfare; but all nations of the world, where trade and commerce are subsidized and controlled by government, engage to some degree in such practices. The British can impose austerity on their own people, with regard to certain commodities, while exporting those commodities at low prices to capture foreign markets. Western Germany, with the most nearly free economy in Europe, can make it "national policy" to favor industries producing heavy machinery for export.

Such political-economic warfare is not new. It is not something which developed in the twentieth century. It has been going on for thousands of years. The danger to America —from economic warfare waged against us by foreign political powers—was inherently much greater in 1789 at the beginning of our national life than now.

In the eighteenth century, we were dependent on manufactured goods from Europe. The tools for tilling American fields, much of the furniture in American homes, many articles of American clothing—came from Europe. Americans won their political independence from Europe on the field of battle, under the leadership of great statesmen. Winning their economic independence from Europe was a separate struggle, more prolonged and complicated, and requiring even greater statesmanship than the war for political independence had necessitated.

Early American statesmen knew that the United States would be economically independent of the old world and invulnerable to the trade wars waged by foreign governments, if the United States could become economically self-sufficient — capable of producing within their borders all of the goods necessary for prosperity and progress in a civilized society. To encourage the development of such economic self-sufficiency, the early statesmen of America treated foreign commerce as secondary to domestic commerce.

At the beginning of our national life, Congress set up a tariff system to protect the American market from "dumping" and other political-economic attacks by foreign interests. Within America, businesses and individuals, left free of crushing taxation, of bureaucratic harassment and controls, and of governmental subsidies, developed a vigorously competitive free-market system.

Thus the American market — free and competitive within, but protected against political-economic attacks from foreign governments — grew into the greatest in the history of the world. Thriving on this vast, free, competitive market, American industry developed the techniques of mass production and mechanization which enabled it to pay the highest wages in the world and still compete in normal world markets with the industries of other nations. Thus, our protective tariff system did not shut off America's world trade: it made our dominance in world trade possible.

With such a system, America was secure and independent. Foreign trade was helpful to our economy and contributed to our prosperity, but we were never dependent on it. If wars — political, economic, or military — shut off our trade with any portion of the outside world we could still produce everything we needed and maintain a high level of national prosperity, because it was our great domestic market that was the mainstay of our economic activity.

Turning Backward

In the twentieth century, Americans started scrapping the marvelous system which had made their nation the most powerful in history. As socialism (under the labels of *communism, fascism* and *nazism*) captured the minds of Europeans, the free people of America also acquired a worshipful attitude toward political power: If we would give government power to control and manipulate and subsidize our economy and then give government power to make economic bargains with foreign gov-

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ernments, government could eliminate all the stresses and strains and ups and downs which are characteristic of a free economy regulated only by the law of supply-and-demand and by the law of profit-and-loss!

The United States took a major step backward from her traditions of freedom and independence and adopted an essential part of the old-world system of absolute government in 1934 when Congress enacted the Trade Agreements Act, abdicating the congressional responsibility (prescribed by our Constitution) to regulate our foreign trade, and "delegating" this responsibility to the executive branch of government.

The Justification

The Trade Agreements Act of 1934 empowered the President (with some restrictions and "escape" provisions) to use the economy of America as the stake in negotiating economic and political deals with the heads of foreign governments.

The propaganda in support of the "new," "reciprocal" trade program, which the Act of 1934 initiated, was massive. Hence, few Americans were aware that the Act represented a major departure from thoroughly tested and proven principles.

From 1934 onward, Congress extended the Trade Agreements Act each time it was due to expire. Every time the Act was renewed, Congress was under intense pressure to "liberalize" it—that is, to give the President more power over the economy of the nation.

As opposition to the "reciprocal" trade program grew in Congress and in the country, the executive branch of government deliberately sought to create conditions which "justify" or "necessitate" continuance and "liberalization" of the program.

Following World War II, for example, when our 'cold' war with the Soviet Union became a general topic of conversation, and when postwar technological developments began to make radical alterations in our economic activity, experts in government (and experts who served as unofficial propagandists for governmental programs) hammered the theme of 'interdependence' of all nations: the strength of America rests on her industrial capacity; but our industrial production is dependent on certain strategic goods which we do not produce, in sufficient quantities, and which we must obtain from distant lands; hence, we must protect those vital, distant sources of supply by subsidizing the nations and peoples there to keep them from turning to communism!

The Truth

The truth is that the United States, within her own continental limits, could produce a sufficient quantity of all the critical and strategic goods she needs. We do not now produce all such goods that we must have, because our government has *deliberately destroyed small vital industries,* and used our tax money to finance development of those industries in foreign lands so that *we will be, as governmental propogandists claim, dependent on foreign sources of supply for materials we cannot do without.*

Manganese is one of many materials which can be used as illustration. Manganese is a critical material, necessary in the production of steel. About 14 pounds of manganese is used (as a hardener) in every ton of steel. Without manganese, steel production would end and the wheels of American industry would stop. At present, American manganese mines produce only about 15% of the manganese we use. The rest is imported from Asia, Africa, and South America. In time of war, these distant sources of supply could easily be cut off, and the United States would be crippled.

Yet, within the United States, there are enough known, undeveloped deposits of manganese ore to fill all our needs for 500 years.

Why have we become dependent on uncertain foreign sources of supply for a metal

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which we could produce ourselves and on which our economy depends? Because our governmental officials planned it that way. In our foreign aid and foreign lending programs, the United States government has financed exploration and development for the manganese industry in Africa, South America and Asia. American technological knowledge, American machinery, and American capital have been given to governments in the underdeveloped nations of the world for manganese production.

Simultaneously, under the "reciprocal" trade program, our government has reduced American tariffs against foreign manganese to virtually nothing. Thus, foreign producers, financed with money taken away from American producers, and employing primitive labor that costs less than 10% of what American labor costs, have captured the American market.

The small, but vital, American manganese industry is today almost dead. A similar, if not identical, story can be told about other vital metals: zinc, tungsten, lead, gold. Even the mammoth (and absolutely essential) American copper industry has been grievously hurt by the "foreign trade" and "foreign aid" programs of government.

Textiles

American textiles are among the major industries which have been damaged by the government's foreign aid and foreign trade programs.

American textile manufacturers pay American standard wages—the highest in the world. Working hours for their employees, ages of their employees, and minimum wages for their employees, are all fixed by government. And the price which they pay for cotton is fixed by government.

The American government sells American cotton to Japanese textile manufacturers at prices six cents a pound *below* what American mills are required to pay for the same cotton. The Japanese mills pay salaries less than one-tenth the salaries that American mills are required to pay. They use mills as modern and efficient as American mills (if not *more* modern and efficient), because their mills were, in part, donated to them by the American government at the expense of American textile manufacturers, and other American taxpayers. The Japanese use the best American-developed mass-production techniques, because our government, at the expense of its own taxpayers, taught the Japanese our techniques.

With American equipment and American technology, and with American cotton that costs them less than the same cotton costs American mills, the Japanese manufacturers, paying coolie wages, produce cotton fabrics which can undersell anything produced in America.

American-financed textile mills in other parts of the world have also been competing with American mills.

Consequently, between 1947 and 1958, 280 American textile mills closed down; and domestic textile machinery in operation dropped 50 percent, while imports of foreign woven cloth increased 735 percent.

The "recession" for our textile industry hit bottom in 1960. Business improved considerably in the latter part of 1961; and when the year 1961 ended, there was some optimism among American textile producers.

But there are clouds on the horizon that the American textile people may not yet see.

On November 28, 1961, George W. Ball (Under Secretary of State, now elevated to "Number Two" position in the State Department to help push President Kennedy's new trade proposals) spoke in Geneva to a meeting of the ministers of GATT—General Agreement on Tariffs and Trade. Mr. Ball said, among other things:

"As countries move into the early stages of development, they are interested in the devel-

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opment of manufactures. . . . The production of cotton textiles is almost a classical example of a labour-intensive manufacture which is adapted to the resources of many less-developed countries. . . .

"So far as the United States is concerned, we put great emphasis on the need for increasing access for the production of less-developed countries. . . . We should all give some attention to . . . the question not merely of providing access to markets by the reduction or elimination of national obstacles in the form of tariffs, quotas, or the other familiar paraphernalia of trade restriction, but there should be a very serious effort on the part of the economically-advanced countries to provide assistance to the export industries of the less-developed countries, to assist them to improve their production and, . . . to assist them in improving their marketing methods. On the part of the United States Government, let me say that we are prepared to provide technical assistance in this matter. . . ."

Having crippled the American textile industry by financing its foreign competitors in Japan and in western European nations, the United States government now pledges itself to subsidize the development of textile mills in underdeveloped nations (where there is an abundance of labor even cheaper than Japanese labor) and to reduce American tariffs so that these American-financed, low-wage textiles from underdeveloped countries can enter the American market.

Despite the Facts

The House Education and Labor Ad Hoc Subcommittee on the Impact of Imports on Employment held hearings from June through November, 1961, under the chairmanship of U. S. Representative John H. Dent (Democrat from Pennsylvania). The Dent Subcommittee hearings began in Washington on June 19, 1961, taking testimony about the damage which foreign imports are doing the coal industry. It held hearings in Wisconsin about the effects of cheese imports; in Wheeling, West Virginia, about import problems of the glass and pottery industries. The Subcommittee returned to Washington for a long series of hearings on the effect of imports on textiles, aluminum, steel, apparel, wood, fisheries, tuna, iron ore, olives, agricultural products, movies and television, machine tools, bicycles, hypodermic needles, and so on.

Representatives of these industries claimed great damage caused by imports of goods from cheap-labor foreign countries, all of which have been, and are, beneficiaries of gifts and loans from the United States treasury.

On November 28, 1961, a manufacturer of hydraulic turbines told the Dent Subcommittee that the federal government buys 60 percent of all turbines sold in the United States, and that the government has caused serious depression in the industry by violating its own law—the Buy American Act. The federal government has been buying hydraulic turbines from foreign producers, which can undersell Americans partially because the foreigners are financed with money made available to them by the American government.

At the very time these Dent Subcommittee studies were being made, however, another subcommittee (under the chairmanship of Hale Boggs, an internationalist Democrat from Louisiana) was making studies, grinding out propaganda in support of the "broadly liberalized, free-trade" proposals which the Kennedy Administration was preparing for the Second Session of the 87th Congress in 1962.

Loss of Statesmanship and Independence

At the beginning of our national life, when the United States was a "backward" and "underdeveloped" nation, weak militarily and economically and dependent on Europe for many necessities of civilized society, we had strong statesmen who believed that America could develop enough strength to stand alone, in freedom, independent, both economically and politically, of the old world.

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Today, when America is, economically and militarily, the strongest nation on earth, we have weak and fearful political leaders who have abandoned the idea of independence for America — because they fear that America cannot stand alone, either economically or militarily. Wanting us to become so 'interdependent' on foreign nations that we will ultimately be forced to amalgamate our political and economic system into a world super-state, our present-day statesmen have for several years followed policies designed to *make* this nation dependent on others, and to force our eventual surrender to World Government.

The timid and fearful philosophy of interdependence was rather well stated in a special message which President Eisenhower sent to Congress, January 10, 1955, "explaining" the "foreign economic policy" of the United States.

Eisenhower said:

"The security of each nation in the free world is dependent upon the security of all other nations in the free world. The measure of that security in turn is dependent upon the economic strength of all free nations, for without economic strength they cannot support the military establishments that are necessary to deter communist armed aggression. Economic strength is indispensable, as well, in securing themselves against international communist subversion."

President Kennedy's proposal for a new trade and tariff program in 1962 is no alteration of the foreign economic policy supported by Eisenhower—but, rather, a logical extension of it.

Kennedy is now asking for the removal of all congressional restraints so that the President can make any kind of economic-political deals he pleases with foreign nations.

President Kennedy says he is trying to promote free trade. His program would terminate what freedom of economic activity is left in America. The Kennedy "free trade" proposals would place the economy of this nation under tight control of the executive branch of government, empowering the Presidency to close down industries and to pay off the people who directly suffer; to shift workers, through retraining programs, from one industry to another; to admit or exclude foreign goods as he pleases—to do anything he likes with the economy of the United States, just as Soviet dictators are "free" to do anything they please with the economy of their nation.

President Kennedy says he is not moving toward world-government, or loss of American national sovereignty, or toward the merging of America with the European Common Market. But the chief architects of his "trade" program are more candid. They admit that surrender of American sovereignty to some kind of super-government is the objective.

Christian A. Herter (Secretary of State under Eisenhower) is a leading propagandist for President Kennedy's "free-trade" proposals. On January 8, 1961, Herter spoke at the opening session of the newly-formed Atlantic Convention, meeting in Paris. Herter demanded the "forging of a new politically integrated Atlantic Community to replace outdated 'national selfishness.' "

What to Do

In 1961, President Kennedy called upon the powerful Invisible Government of the United States to draft his foreign aid bill and to lobby it through Congress: that is, he selected Theodore Tannenwald, Jr., a member of the Council on Foreign Relations, to write, and "manage" the passage of, the Foreign Assistance Act of 1961.

The August 4, 1961, issue of Congressional Quarterly's *Weekly Report* revealed that the President had already selected the man who would do for his 1962 "Trade" program what Tannenwald did for the 1961 "Aid" program. The man is Howard C. Petersen, a member of the Council on Foreign Relations, and a leader in the Committee for Economic Development, one of the chief inter-locking affiliates of the CFR.

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The forces behind the President's "free-trade" proposals are powerful, and they will gain strength as this issue reaches the stage of debate in Congress.

But the people of America *could* put more pressure on Congress than the entire internationalist combine could exert.

Congress should let the Trade Agreements Act of 1934 expire in June, 1962—and should reject the "trade" proposals of the Kennedy Administration.

No sensible person wants a tariff that would free American producers from competition. We need a flexible tariff that would equalize the differential between capital and labor costs abroad and costs at home.

If a foreign producer pays low wages, the amount of tariff he will have to pay to get his goods on the American market should be equivalent to the amount he would have paid to his own workers if his wages had been competitive with American wages. Other cost factors—such as taxes and the amount of subsidy the foreign producer has received from the American government—should also be considered.

If we had that kind of tariff, we could create real, free competition for the American market; and we would encourage foreign producers to pay wages comparable to our own.

When the "reciprocal" Trade Agreements Program first began, we were told that one of its primary purposes was to keep American industrialists from relocating their plants overseas—thus slowing down American industrial development and throwing Americans out of work. The program has done the opposite of that. The government's foreign trade program encourages American industries to build plants abroad (with American government guarantees against loss or confiscation), to produce goods with low foreign wages, and then to ship those goods into the "free" American market in competition with home industries that pay high wages—and high taxes to support their foreign competitors.

Sixty percent of our imports never did pay duties. American tariffs are lower than those of any other major trading nation in the world. Yet, in addition to *general* tariff reductions made under the General Agreement on Tariffs and Trade, we have made over 55,000 *special* concessions under GATT. The only protections which the American executive has given to key American industries are those which are *permitted* by GATT. The American government must be *permitted* by an international authority to make decisions which it deems important to American industries!

Low-paid foreign workers are now operating the most modern American machines.

Do the families of America's workingmen feel they can long compete under such conditions? Does any wheat or cotton grower in the United States dream that we can continue to send seed and fertilizer, money, equipment and technicians abroad — without creating self-sufficiencies in those markets, and "crop surpluses" and "soil banks" at home?

Under GATT and other international authorities, the decision on such matters is not reached by the people, or by their representatives in Congress. These matters are decided by international bodies, responsible only to themselves.

And as these economic decisions entwine our affairs with those of other nations, we find our citizens subject not only to the economic but also to the political—and ultimately, military—decisions of international and foreign agencies.

Laws made under our federal or state constitutions are thrown out if they conflict with the "principles" of some UN agency. UNESCO adopts a resolution concerning the "equitable" distribution of "primary commodities" throughout the world; and an official agency of the executive branch of our government (the Paley Commission) declares that

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the United States is bound by this resolution, because the resolution is based on a provision of the ITO charter—although the ITO charter itself died because it was so bad that Congress would not consider it!

Because trade and "equitable distribution" of goods have been made a concern of international political authorities, Americans are pawns, not only in the ancient and endless trade wars of the old world, but in the political brawls as well. To maintain "peace" and promote "world trade" we must constantly be intervening in the political and economic affairs of other nations. This calls for military alliances, and "mutual assistance," and "collective defense"—and it infects every local war with the fatal germ of worldwide, international conflict.

The United States *must* return to a policy of national independence and self-sufficiency, economically, politically, and militarily. Congress could take a great step toward that objective if it would replace the Trade Agreements Act of 1934 with something comparable to the Bill which U. S. Representative Noah Mason (Republican, Illinois) introduced on February 4, 1960. Discussing his proposed Bill (HR 10181) Mr. Mason said:

"I believe that it is now time for Congress to reassert its rightful authority over foreign trade and the national economy. We must recognize that there have been some basic and far-reaching changes in the world economy; and we must catch up with these changes, because our national survival depends upon keeping abreast of them. No longer can we irresponsibly and ruinously assume that the American worker and taxpayer can forever support the rest of the world. To foolishly do so will result in the complete destruction of our economy and industry. Our gold stocks are at a frighteningly low level. We must stop this disastrous loss immediately.

"Working men and women in my district have written me, telling how their jobs have been lost because of the unfair competition of sweatshop labor in other countries. H.R. 10181 will put a stop to this rapidly expanding, cancerous growth, by returning to Congress the authority given it by Article I, Section 8 of the Constitution.

"This bill will take the profit out of sweatshop labor at the water's edge. This will not only halt the bleeding of American jobs, capital, and industry to foreign lands, it will also encourage exploiters of low-wage workers overseas to allow wages in their countries to rise, so as to create a larger market in their countries."

The Mason Bill died in committee when the 86th Congress adjourned. But enough public support could encourage Mr. Mason, or someone else, to try again in 1962. Passage of something comparable to the Mason Bill in 1962 would be a crushing blow to international socialism and a mighty victory for the forces of freedom in the United States.

WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking BA and MA degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for the degree of Doctor of Philosophy in the field of American Civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He served as an FBI Agent in all parts of the nation, handling all kinds of assignments. But for three and a half years, he worked exclusively on communist investigations in the industrial midwest. For two years following that, he was on FBI headquarters staff in Washington, as an Administrative Assistant to J. Edgar Hoover.

After nine and a half years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost four years spoke to a national audience giving both sides of great controversial issues.

In July, 1955, he resigned and started his own independent program, in order to give only one side — the side that uses fundamental American principles as a yardstick for measuring all important issues.

If you believe that Dan Smoot is providing effective tools for those who want to think and talk and write on the side of freedom, you can help immensely by subscribing, and encouraging others to subscribe, to *The Dan Smoot Report.*

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